

1 The Honorable Karen A. Overstreet
2 Chapter 11
3 Hearing Date: December 18, 2009
4 Hearing Time: 9:30 a.m.
5 Hearing Location: 700 Stewart St, 7th Floor
6 Seattle, WA
7 Response Date: At the Hearing

8 UNITED STATES BANKRUPTCY COURT
9 WESTERN DISTRICT OF WASHINGTON AT SEATTLE

10 In re

11 THE CASCADIA PROJECT LLC,
12 EIN: 20-4188863,
13 Debtor.

Case No. 09-20780-KAO

DECLARATION OF JOHN LADENBURG
IN SUPPORT OF MOTION FOR ORDER:
1) DETERMINING THAT CERTAIN
PROCEEDS ARE INCOME, 2) SETTING
HEARING DATE ON SALE OF
EASEMENT RIGHTS TO PUGET SOUND
ENERGY, AND 3) EXTENDING THE 90
DAY PERIOD UNDER 11 U.S.C. §362(d)(3)
FOR CAUSE

17 I, John Ladenburg, hereby declare as follows:

18 1. I am the Chief Operating Officer for The Cascadia Project LLC, debtor
19 and debtor in possession herein ("Debtor" or "Cascadia"). I have personal knowledge of the
20 facts set forth below and I am competent to testify thereto.

21 2. I have been Chief Operating Officer of Cascadia since November 1, 2009.
22 Prior to that, beginning on January 1, 2009, I was a consultant to the Debtor. My duties are to
23 identify and negotiate developments projects, and to see these projects through to conclusion.
24 These projects include the negotiation of sales and leases.

25 3. Prior to 2009 I served for eight years as the County Executive of Pierce
26 County, overseeing 3,000 employees and an annual budget of \$850 million. I have a great deal of

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1 experience in development of major projects and in the area of economic development. I served
2 as chair of Sound Transit for four years. When I began as chair, Sound Transit's light rail project
3 was only eight percent (8%) complete. When I left four years later, the light rail project was 85%
4 complete. For four years, I served as chair of four county Central Puget Sound Economic
5 Development Board, for King County, Pierce County, Snohomish County and Kitsap County. I
6 also served as President of the Puget Sound Regional Council and as Co-Chair of Prosperity
7 Partnership, which has more than 400 area businesses participating. In addition to my extensive
8 development work, I have lectured on economic development in many locations, as far away as
9 Stockholm. In 2006 I was awarded the Governor's Award for Economic Development 2006 (highest
10 State Award). While I was County Executive of Pierce County I oversaw the building of the
11 county's Environmental services building, new Public Works Maintenance Facility and
12 remodeling of the County City Building all of which received environmental recognition and
13 exceptional "LEEDS" ratings. I also oversaw the development of the Chambers Bay Golf
14 Course, a golf course which has gained international recognition, and is the only Audubon
15 Signature Course in Washington State. I also now serve on the Executive Committee of the
16 Seattle Urban Land Institute. (See attached complete biography of John Ladenburg.)

17 4. I believe that "building green" is important to the future of Pierce County
18 and has far wider implications for our country and the world. This is one of the things that
19 brought me to work for Cascadia. The Cascadia community will have manufacturing, industry,
20 retail, offices, housing, resorts, parks, trails and community centers, as well as other amenities,
21 all built with energy efficient buildings and sited so that residents will be able to walk to work,
22 walk to school and walk to do their shopping. Governments can only demand the "lowest
23 common denominator" in their zoning and building codes, it takes a single owner project like
24 this one to demand higher "green and sustainable" standards that can become the future standard.
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1 processes. If HomeStreet Bank is able to foreclose on Cascadia's property and will sell to
2 anybody, the "green" focus will disappear and the bottling company will not build at Cascadia.
3 We are negotiating to establish the square footage price for the 50 acre parcel and the optional
4 additional 50 acre parcels, both of which parcels have been identified by the bottling company.
5 This is a multimillion dollar project that is in final negotiations. Cascadia needs to calculate the
6 cost to bring additional infrastructure and utilities to the site in its industrial park, including
7 power from Puget Sound Energy, water from Tacoma City Water, waste water, roads, etc.
8 Thomas Uren is working on this. I believe will obtain a deal and close unless something
9 unforeseen happens, or HomeStreet Bank is allowed to foreclose.

10 7. Other Aspects and Opportunities. I believe that when Cascadia is back up
11 and running, after confirming its plan and obtaining equity funding, then, based on its
12 comprehensive green community plan, it has a very good chance of obtaining grant money for a
13 waste water treatment plant, "Built Green" schools, and a discovery center. Because Cascadia is
14 one owner, it can control the entire development process, keeping it "green". No one is going to
15 build green cities unless someone first builds a green city which is Patrick Kuo's vision. For a
16 more detailed overview of Mr. Kuo's vision for Cascadia and all it can offer, see Exhibit A and
17 Exhibit P to the Affidavit of Jeffrey Todhunter in Support of Homestreet's Motion for
18 Determination that The Cascadia Project LLC is a Single Asset Real Estate Debtor [Dkt. #22]. A
19 green city, which can lead the way for building other green cities, has to come from one owner
20 who will demand green building. The Pierce County building code will not result in a green city,
21 if HomeStreet forecloses. I have some experience with what leadership in energy efficiency
22 matters can do. When I was on the Tacoma City Council, amid great skepticism the council
23 adopted new code to make homes more energy efficient and to conserve power, including
24 requirements for more insulation, double pane windows and the like. Despite builder reluctance,
25 the code worked, energy efficient homes were built and sold well. Two years later, the State of
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1 I believe that a successful Cascadia project will modify and improve both building codes and
2 land use throughout Washington State.

3 5. Pierce County Government and the Department of Economic
4 Development support the Cascadia development and are very much in favor of this project,
5 which will allow people to work near where they live rather than commute from Pierce County
6 to King County for work.

7 6. I work with Charles Lappenbusch, an outside contractor to Cascadia, and
8 Thomas E. Uren, an engineer employed by Cascadia, in developing various projects for
9 Cascadia, which projects are consistent with the "green" philosophy of Cascadia and described
10 below¹:

11 (a) Easement Sale to Puget Sound Energy. I am supervising the
12 negotiations of the sale of an easement to Puget Sound Energy ("PSE"). The easement, across
13 the north 50 feet of Cascadia's property, will provide with new regional feeder line with 640KV
14 capacity. It will also provide needed power for Cascadia's future development. The net sales
15 price will be slightly less than \$550,000. Assuming timely court approval, I believe this can sale
16 can close and be funded prior to January 13, 2009. I believe the purchase price is above market,
17 and that Cascadia is receiving a premium price because Puget Sound Energy has no other route
18 available to it because the surrounding area is built up with residential housing. The power line
19 will go through northern border of Cascadia, next to an existing buffer and right of way owned
20 by Tacoma City Water. I believe, but am not certain, that if Cascadia is allowed to close the sale
21 to PSE before January 13, 2009 and use the funds to pay monthly payments to HomeStreet Bank,
22 Cascadia can generate additional income from sales to make monthly payments to HomeStreet
23 pending plan confirmation.

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25 _____
26 ¹ By December 17, 2009, I plan to furnish counsel for Cascadia with copies of the related contracts and letters of
intent regarding the projects, as they are available.

1 (b) Negotiations with American Tower. Cascadia has reached
2 agreement on basic terms for a 25 year lease with American Tower. American Tower is the
3 largest communications tower company in the United State, owning and operating over 20,000
4 towers. American Tower will build a 500 foot communications tower on a 1/3 acre site in
5 Cascadia's industrial area, and the tower is already fully permitted by the FAA. The contract
6 must be finalized and approved by this Court. In addition, American Tower needs its
7 construction permit, which should take not more than 60 days. Prior to construction, Cascadia
8 will receive an \$70,000 payment to compensate Cascadia for its due diligence which established
9 that the tower will have a transmission signal for cell phone, microwave, television, radio and
10 other uses reaching from Olympia to Seattle, as well as all of Pierce County. The base rent will
11 be \$2.250 monthly, with a three percent (3%) annual increase for each year of the
12 lease. American Tower will spend an estimated 1.5 million dollars (\$1,500,000) to build the
13 tower. The site is very desirable for a tower placement. In addition to the base rent, Cascadia
14 will be paid an additional 20% of the annual rent they receive from tenants on the tower every
15 year. I anticipate that because of the desirable location and the strength and experience of
16 American Tower, the tower will be generating between 150k to 200k per year of rent to Cascadia
17 by time it is fully subscribed, which will take one to two years. Sand and Gravel Mining.
18 Cascadia is working on restarting its gravel mining operations, subcontracting with Miles Sand
19 & Gravel. Miles Sand & Gravel is in the final permitting process for what will eventually be a
20 30 acre site. Once the pit is operational (and I estimate that it will be operational within
21 approximately 60 days), the pit operations should generate approximately \$800k per year to
22 Cascadia for the next 20 years. The gravel pit is in phase 3 of the comprehensive development
23 plan and will not interfere with development. Rather, having the operational gravel pit on site
24 will help with development. Cascadia and its developers won't have to import sand, gravel and
25 topsoil. More than half of the cost of gravel is in its transportation. Having the operations on
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1 site is very unusual, very advantageous to Cascadia, and the operations will be more profitable
2 because of the low transportation costs. In addition, Cascadia has permitting for 1,000 truck trips
3 a month to send gravel offsite, for sale for use on, for instance, road projects. Cascadia will
4 reclaim the gravel mining site when mining is finished. We expect this to generate income of
5 between \$10-20 thousand a month for Cascadia during construction season and for many years to
6 come.

7 (c) Green Housing Initiative. We are concluding a letter of intent with
8 a "green" home builder from Florida, Stalwart Homes ("Stalwart"). Stalwart builds LEEDS
9 Platinum Homes, *which are homes much more energy efficient than the Master Builder's Built*
10 *Green standard. Home energy efficiency is rated in the following order,* most efficient to least:
11 platinum, gold, silver and bronze. There are only a handful of platinum rated homes in
12 Washington to date. Platinum rated homes use approximately half the average energy of an
13 average same size home in Washington. This rating has a number of advantages: it benefits the
14 environment, it saves the homeowner money, and I believe it will thus increase the amount that
15 buyers can borrow for purchase. Stalwart's experience is in fact that larger loans are available to
16 buyers based on the home having smaller maintenance and operations cost. As a result of my
17 work with the Urban Land Institute, I am aware of studies showing that buyers in Washington
18 State will pay a premium for energy efficient homes. If we are able to reach an agreement with
19 Stalwart, I believe Cascadia could have five model homes on its property as early as April, 2010.
20 This will require some investment by Cascadia.

21 (d) Bottled Water Company. I am negotiating with a water bottling
22 company for the sale of a 50 acre parcel and an option on another 50 acres in Cascadia's 600 acre
23 industrial parcel. The bottling company wants to build a "super green" plant, and is particularly
24 interested in building in Cascadia because Cascadia will be a green community, and the bottling
25 company wants to be among other businesses which have "green" buildings and manufacturing
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1 Washington adopted the Tacoma code as the new State Energy Code. My 27 years experience in
2 local government tells me that this is how change is effected. Someone has to lead into a new
3 direction like building a "green" city, before the majority of government can demand a new
4 standard. Cascadia is that kind of paradigm changer for Washington State and perhaps for the
5 nation.

6 8. Green River Floodway. I have negotiated with a number of businesses
7 that currently have plants or offices in the Green River floodway and are considering moving to
8 the higher ground of Cascadia. The Howard Hanson dam is in a weakened condition and the
9 Army Corps of Engineers has estimated there is a 20% chance that this winter it will have to
10 release enough water to cause some flooding. Businesses in the Kent Valley are very nervous
11 about flooding in next five years. I believe that some businesses in the Kent Valley will relocate
12 to Cascadia in the next few years, starting with the bottling plant and possibly including some
13 data-intensive businesses that cannot risk losing power and computers to this new threat

14 9. Sumner School District. We at Cascadia are negotiating two separate
15 matters with the Sumner School District (the "School District"). The School District has picked
16 out a site for a new middle school and has ^{provided a letter of interest.} ~~had the site appraised~~. I have been informed that
17 Cascadia will receive an offer from the School District in early January 2010. This sale should
18 exceed \$1 million. Several years ago, Cascadia sold land for the now built and operating
19 Elementary School Number 9 for a purchase price of \$3.7 million. Part of the purchase price
20 was deferred. The deferred amount of the purchase price for School No. 9 is \$2.7 million. We
21 are in discussions to reduce that amount to present value and then have the School District make
22 a discounted cash payment on the deferred reduced balance. These are substantive discussions,
23 and the School District will get back to us in early January 2010 as to whether the School District
24 wants to negotiate a cash-out or not.
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1 10. The Project Has Several Aspects. This project is not a "housing project"
2 but also includes commercial, retail, and industrial uses. Immediate house sales are not
3 necessary for this project to be viable and to present a confirmable plan of reorganization. I do
4 not believe that HomeStreet Bank could realize the "green" vision or produce jobs like Cascadia
5 can do if it is given the chance. Should Homestreet succeed in taking the land, I believe that the
6 Cascadia Master Plan, which took over 15 years to complete will be destroyed and significant
7 land use changes will take place. Under the Pierce County Land Use Code, Cascadia is listed as
8 a "Employment Center", a land use term used to describe an area where the County wants and
9 expects business and industry to locate, creating more jobs than residents. Pierce County remains
10 very supportive of Cascadia and its long-range plans and this is why Denise Dyer, the Pierce
11 County Director of Economic Development was at the initial status conference to speak in favor
12 of Cascadia. Effect of a Foreclosure by HomeStreet Bank. I believe that if HomeStreet Bank
13 obtains relief from stay and forecloses, all the above will come to a screeching halt to the
14 disadvantage of all the constituencies in the case, including but not limited to: current creditors,
15 including HomeStreet Bank itself; Pierce County in general through the loss of potential jobs;
16 businesses that want to locate operations; and both the Pacific Northwest region and the United
17 States because of the loss of the opportunity to build a green community that will lead the way to
18 greater energy efficiency for cities. To my knowledge there are only about a dozen other
19 projects in the world trying to do this, all of which are governmental projects, and all of which
20 are only in the initial stages. Cascadia is like no other project this region has ever seen or is
21 likely to ever see if it is allowed to disappear in these proceedings.

22 Pursuant to 28 U.S.C. §1746, I declare on penalty of perjury under the laws of the United
23 States of America that the foregoing is true and correct.
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1 SIGNED this 14th day of December, 2009, at Bellevue, Washington.
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4 John Ladenburg
5 Chief Operating Officer
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DECLARATION OF JOHN LADENBURG IN SUPPORT OF MOTION
FOR ORDER: 1) DETERMINING ... FOR CAUSE - 9

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